



**DEPARTMENT OF LABOR**

**Bureau of Labor Statistics**

**Updating Spending Weights Annually Based on a Single Calendar**

**Year of Data**

**AGENCY:** Bureau of Labor Statistics, Department of Labor.

**ACTION:** Notice of action.

**SUMMARY:** Effective with the February 2023 release of CPI data for January 2023, BLS will update weights annually for the Consumer Price Index based on a single calendar year of data, using consumer expenditure data from 2021. This change impacts the CPI for urban consumers (CPI-U), wage earners and clerical workers (CPI-W), initial and interim versions of the Chained CPI-U, and CPI research series. This reflects a change from prior practice of updating weights biennially using two years of expenditure data. This shift will result in changes to some documents available from CPI, including the CPI Relative Importance tables Report and CPI Handbook of Methods.

**DATES:** The transition to annual weights will occur with the release of January 2023 data, scheduled for release Friday, February 10, 2023.

**FOR FURTHER INFORMATION CONTACT:** Bradley Akin, Information and Analysis Section, Consumer Price Index, Bureau of Labor Statistics, telephone number 202-691-7000 (this is not a toll-free number), or by email to: [cpi\\_info@bls.gov](mailto:cpi_info@bls.gov).

**SUPPLEMENTARY INFORMATION:**

To improve the accuracy and relevance of the Consumer Price Index (CPI), the Bureau of Labor Statistics (BLS) plans to update spending weights annually based on a single calendar year of data. This change will be effective with the calculation of January 2023 indexes using consumer expenditure data from 2021. Historically, the BLS updated spending weights every 10 years to reflect spending habits of urban consumers. In 2002, the BLS began updating spending weights every two years to reflect changes in consumer spending more rapidly. Over time, many countries have adopted annual CPI spending weight updates. The BLS produces continuous estimates of consumer spending, enabling an annual weight update methodology.

Recent research conducted by the BLS demonstrates annual spending weight updates increase the overall accuracy of the CPI. As an accurate cost-of-living measure, the CPI should reflect consumers' changing spending habits. The formula the BLS uses to calculate the CPI-U and CPI-W can yield misleading results if spending weights are updated too frequently. The BLS conducted research in 2021 that demonstrates annual spending weight updates more closely reflect consumers' changing spending habits without yielding misleading results. The estimated impact between 2002-2020 is a reduction in the 12-month change of the CPI-U index of 0.036 percentage points, which is a 13% reduction in the impact of upper-level substitution bias. Upper-level substitution bias refers to the impact of using fixed weights even though consumers change (substitute) what they buy.

Annual spending weight updates enable the BLS to maintain relevancy when there are large shifts in consumer spending, as happened during the COVID-19 pandemic. While sudden shifts in spending habits cannot be reflected in an annual update, annual spending changes are an improvement over longer periods. The BLS analyzed annual spending changes and confirmed the spending weight update in January 2022 should use consumer spending from 2019 and 2020. While in past years, the most recent year is typically the most relevant, spending in 2020 was anomalous enough that averaging two years of data produced the most relevant spending weights for indexes in 2022. For 2023, the BLS determined consumer spending data in 2021 would be more relevant than 2019 and 2020. It is expected that moving forward, using the most recent year of data will produce the most relevant spending weights for CPI calculation.

Signed at Washington, DC, on this 16th day of August 2022.

**Eric Molina,**

*Acting Chief, Division of Management Systems.*